



ADMINISTRATION FOR
CHILDREN & FAMILIES

Administration for Children and Families

Family Financial Capability Brief

Introduction

Financial capability is the capacity, based on knowledge, skills, and access, to manage financial resources effectively. Building this capacity is a critical aspect to supporting the vision of the Administration for Children and Families (ACF): children, youth, families, individuals, and communities who are resilient, safe, healthy, and economically secure. The Office of Head Start is taking the opportunity provided by National Financial Capability Month to highlight the importance of financial capability for head Start/Early Head Start participants/clients.

Understanding Financial Capability

Financial capability is a term that has emerged out of the need to talk about something broader than financial education or financial literacy. For example, someone may be educated about financial ideas, but if they are unable to access safe, affordable financial services (like savings accounts or tax filing assistance), they may not be able to act on their knowledge. Financial capability is necessary to build a foundation for economic well-being and stability.

Integrating Financial Capability Strategies into Human Services Programs

Examples

Financial capability can be affected by a wide variety of policies, activities, and services. In recent years, there has been growing interest in combining financial capability strategies with other social services programs. For example, in Delaware, the Department of Health and Social Services has partnered with United Way of Delaware to create \$tand By Me, which makes financial coaching services available to Delawareans in a variety of locations, including state service centers, Head Start and child care centers, community colleges, and workforce programs. In Head Start and child care agencies, the services are available both to parents and employees. Delaware's State Office of Early Learning and the Office of Childcare Licensing has worked with \$tand By Me to offer financial coaching services as part of the state's early child care quality initiative. These services are offered as either an employee benefit or a community service so that the agencies get credit for this work.

Another example is the Texas Child Support Enforcement Office's Bring it Back to Texas program. Bring it Back to Texas promoted local Volunteer Income Tax Assistance (VITA) services by training volunteers to support noncustodial parents with past-due child support payments. The volunteers helped the parents work through specific issues related to refund garnishments and made referrals to community-based organizations to help with other financial issues.

Evidence

Where research is being conducted, preliminary findings indicate that providing financial capability services in combination with other programs may have a positive impact on those programs' outcomes. In New York City, adult and youth participants in two employment-related programs that received financial counseling and standard program services had higher job placement rates than participants that only received the standard services.¹ Additionally, after one year, the adult participants that had received financial counseling had higher wages than those that had not. Inspired by the Center for Working Families model developed by the Annie E. Casey Foundation, several community colleges across the nation have offered employment and career advancement services, access to income and work supports, and financial coaching and education to students. Data from 2010 indicates that students at Des Moines Community College that received these services had a higher retention rate: 84 percent enrolled in a subsequent term compared to a college-wide retention rate of 70 percent.²

We are all aware of the economic challenges and financial hardship associated with poverty. Recent research indicates that this financial insecurity also occupies mental capacity, resulting in reduced cognitive performance and making it more difficult to solve problems.³ In one experiment, the performance of farmers on mental tasks was tested at two points in time: pre-harvest, when they were low on funds, and post-harvest, when they had just received payment for their crop. These farmers performed significantly better on these tests after the harvest, indicating that the financial hardship they experienced in the pre-harvest state impacted their mental performance. Although we may think of mental ability as relatively fixed in adults, we all recognize that circumstances like sleep deprivation can change our mental abilities. This research suggests that poverty can have a similar impact. Improving someone's financial situation may free their cognitive resources for other aspects of their life, such as parenting, training and education, job performance, and decision making.

ACF and our federal partners have developed resources to support financial capability. This notice highlights resources selected for their potential usefulness to organizations working with low-income and vulnerable populations. These resources are diverse, ranging from a system for consumer financial services complaints to a new retirement savings opportunity. There are resources that can be used directly with clients, such as the Money Smart financial education curricula, and resources for your staff, such as the *Your Money, Your Goals* toolkit. There are

¹ *Building Financial Counseling into Social Service Delivery: Research and Implementation Findings for Social Service Programs*. (September 2014) New York City Department of Consumer Affairs, Office of Financial Empowerment.

² *A Successful Strategy for Promoting Financial Stability*. (October 2013). Working Families Success Network.

³ Mani, A., Mullainathan, S., Shafir, E. & Zhao, J. *Poverty Impedes Cognitive Function*. (August 30, 2013). *Science* Vol. 341, no. 6149, pp. 976-980.

opportunities for your organization, such as the ACF planning guide for organizations interested in integrating financial capability into their current programs and the FDIC's regional coalitions for economic inclusion. We encourage you to consider how these financial capability resources could enrich the programs and services you already provide to your community.

Financial Capability Resources

The ACF Office of Community Services (OCS) has worked with the Corporation for Enterprise Development (CFED) to create *Building Financial Capability: A Planning Guide for Integrated Services*. This guide provides organizations with a process and a set of tools to develop a plan for integrating financial capability services into their existing programs and/or services. For example, users may begin by considering their clients current financial situations (such as poor credit), then stating the desired outcomes for those clients (such as improved credit), and then determining what financial capability service is needed for the clients (such as credit counseling). The guide has tools to help organizations determine how to provide the financial capability services to their clients, whether they should offer the services themselves or if there are other organizations in their community that they could refer clients to or develop a partnership with, and tools to develop implementation plans for each of these strategies. To download the guide or learn more, go to <http://www.acf.hhs.gov/programs/ocs/resource/afi-resource-guide-building-financial-capability>.

Financial Literacy and Education Commission

The Financial Literacy and Education Commission (FLEC) is composed of 22 federal agencies, chaired by the Secretary of the Treasury and vice-chaired by the Director of the Consumer Financial Protection Bureau (CFPB). Many of the financial education resources created by the FLEC member agencies are available to the public on [MyMoney.gov](http://www.mymoney.gov). The website is organized around the MyMoney Five building blocks for managing and growing money: Earn, Save & Invest, Protect, Spend, and Borrow. MyMoney.gov also has special sections with resources for youth; teachers and educators; and researchers. Additional information about FLEC is available at <http://www.treasury.gov/resource-center/financial-education/Pages/commission-index.aspx>.

Consumer Financial Protection Bureau

The mission of the Consumer Financial Protection Bureau (CFPB) is to make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products. The CFPB has developed several important tools to help consumers increase their financial knowledge and skills and to protect consumers from deceptive and abusive financial practices.

- CFPB's Office of Financial Empowerment encourages low-income and economically vulnerable consumers to make informed financial decisions by providing them with tools and information and by promoting a more inclusive and fair financial marketplace.
- *Your Money, Your Goals* is a toolkit developed by the Office of Financial Empowerment for organizations that serve low-income consumers. *Your Money, Your Goals* is a resource that organizational staff can use to help the people that they serve set goals, choose financial products and build skills in managing money, credit, and debt. The full

toolkit is available in English and Spanish, along with training videos and other materials at: consumerfinance.gov/your-money-your-goals/

- CFPB's Office of Consumer Response handles consumers' complaints about a variety of consumer financial services and products, including money transfers, payday loans, and credit reporting. CFPB forwards complaints to the appropriate company, works to get consumers a response to their issue, and provides consumers with status updates throughout the complaint process. Consumers can submit complaints online at consumerfinance.gov/complaint or over the phone by calling the CFPB at (855) 411-CFPB (2372) toll free. CFPB's U.S. based contact centers can help in over 180 languages, and can also take calls from consumers who are hearing impaired, have hearing loss, or have speech disabilities. The TTY/TDD number is: (855) 729-2372.
- *Ask CFPB* is an interactive online tool that gives consumers clear, unbiased answers to common consumer financial questions. *Ask CFPB* contains over 1,000 easy-to-read, plain-language entries written by CFPB's subject-matter experts, and it provides definitions that translate highly technical industry jargon to help consumers better understand financial products and services. *Ask CFPB* is available in English at consumerfinance.gov/askcfpb/ and Spanish at consumerfinance.gov/es/.
- Along with the Office of Financial Empowerment, the CFPB also has three other offices focused on specific populations: Students, Older Americans, and Servicemembers. Each of these offices has developed specific resources for those groups. To learn more, visit their websites:
 - Students - consumerfinance.gov/students/
 - Older Americans - consumerfinance.gov/older-americans/
 - Servicemembers - consumerfinance.gov/servicemembers/
- Paying for college—consumers can get help to make informed financial decisions about how to pay for college at: consumerfinance.gov/paying-for-college/

Federal Deposit Insurance Corporation (FDIC)

The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency created by Congress to maintain stability and public confidence in the nation's financial system. FDIC has several resources and initiatives that promote financial capability for low-income and underserved populations.

- Money Smart is a comprehensive financial education curriculum designed to help low and moderate income individuals enhance their financial management and investment skills. In addition to Money Smart for adults, FDIC has developed specific Money Smart curricula for children and youth, parents, older adults, and entrepreneurs. Money Smart resources are available at no cost from the FDIC, many of which are available in nine languages including Spanish. Go to <https://www.fdic.gov/moneysmart> for more information.
- FDIC is committed to expanding economic inclusion in the financial mainstream by ensuring that all Americans have access to safe, secure, affordable, and sustainable products and services from insured depository institutions that help people achieve financial resilience and

build wealth (<https://www.economicinclusion.gov/>). A sustainable and positive connection between the insured banking system and a broad range of customers benefits the safety and soundness of financial institutions and the well-being of their customers and communities. FDIC's support for economic inclusion is an essential element of the FDIC's mission to maintain stability and public confidence in the nation's financial system, by ensuring that the financial system effectively meets the financial services needs of the broadest possible portion of the public.

- Under FDIC's Community Affairs Program, regional Alliances for Economic Inclusion have been created across the nation. These broad-based coalitions of financial institutions, community-based organizations and other partners are working on the ground to expand basic financial services for underserved populations, including savings accounts, affordable remittance products, small-dollar loan programs, targeted financial education programs, alternative delivery channels, and other asset-building programs. To learn more about these regional efforts, including how to contact regional Community Affairs staff, go to <https://www.fdic.gov/consumers/community/AEI/initiatives.html>.

CFPB/FDIC Joint Efforts

The CFPB and FDIC are working together to help young people in America build skills to make better financial decisions to improve their economic lives.

- Parents and Caregivers – consumerfinance.gov/parents is the online destination that provides resources to help parents and caregivers build young people's money skills.
- Teacher Online Resource Center – fdic.gov/teachers is the online destination that provides resources and tips teachers can use for financial education lessons in the classroom.

Treasury Department

The Treasury Department is the executive agency responsible for promoting economic prosperity and ensuring the financial security of the United States. Treasury is responsible for a wide range of activities such as advising the President on economic and financial issues, encouraging sustainable economic growth, and fostering improved governance in financial institutions. Treasury works with other federal agencies, foreign governments, and international financial institutions to encourage global economic growth, raise standards of living, and to the extent possible, predict and prevent economic and financial crises.

- There are millions of workers in America who either do not have access to an employer-sponsored retirement plan or lack options to save for retirement. Treasury has developed myRA (my Retirement Account), a new type of Roth IRA investment that makes saving for retirement simple, safe, and affordable. myRA is free and it is easy for employers to make it available to employees. Employers do not administer employee accounts, contribute to them, or match employee contributions, they simply set up payroll direct deposit in employees' myRA accounts. If your organization does not currently offer a retirement plan for your employees, we encourage you to learn more about promoting myRA to your employees. Resources for employers are available online at <https://myra.treasury.gov/employers/resources/>. myRA aims to give working Americans a way to begin saving for a secure financial future. myRA accounts have no fees, have no cost

to open, and balances will never go down in value. To learn more about myRA overall, visit <https://myra.treasury.gov/>.

Thank you for your dedication and commitment to supporting all children and families.